Titan International, Inc. (TWI)
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Company Participants

Alan Snyder – Vice President, Financial Planning & Analysis, and Investor Relations
Paul G. Reitz - President and Chief Executive Officer
David A. Martin - Senior Vice President and Chief Financial Officer

Conference Call Participants

Mike Shlisky – D.A. Davidson
Stephen Ferazani - Sidoti & Company, LLC
Tom Kerr – Zack's Investment Research
Kirk Ludtke - Imperial Capital LLC
Brian DiRubbio - Baird

Presentation

Operator: Good morning, ladies and gentlemen, and welcome to the Titan International Inc. Fourth Quarter's 2024 Earnings Conference Call. [Operator Instructions]

It is now my pleasure to turn the floor over to Adam Snyder, Vice President Financial Planning and Investor Relations for Titan. Mr. Snyder, the floor is yours.

Alan Snyder: Thank you, and good morning. I'd like to welcome everyone to Titan's fourth quarter 2024 earnings call. On the call with me today are Paul Reitz, Titan's President and CEO, and David Martin, Titan's Senior Vice President and CFO.

I will begin with a reminder that the results we are about to review were presented in the earnings release issued yesterday, along with our Form 10-K, which was also filed with the Securities and Exchange Commission yesterday. As a reminder, during this call, we will be discussing certain forward-looking information, including the company's plans and projections for the future that involve risks, uncertainties, and assumptions that could cause our actual results to differ materially from the forward-looking information. Additional information concerning factors that either individually or in the aggregate could cause actual results to differ materially from these forward-looking statements can be found within the safe harbor statement included in the earnings release attached to the company's Form 8-K filed earlier as well as our latest Form 10-K and Forms 10-Q, all of which have been filed with the SEC.

In addition, today's remarks may refer to non-GAAP financial measures which are intended to supplement but not be a substitute for the most directly comparable GAAP measures. The earnings release which accompanies today's call contains financial and other quantitative information to be discussed today as well as the reconciliation of the non-GAAP measures to the most comparable GAAP measures. The Q4 earnings release is available on the company's website. A replay of this presentation, a copy of today's transcript, and the Company's latest quarterly investor presentation will all be available soon after the call on Titan's website. I would now like to turn the call over to Paul.

Paul Reitz: Thanks, Alan, and good morning, everyone. Since we last spoke with you all at the end of October, there has been no shortage of change in the world. And when it comes to our business, the change has us feeling better than we did on our last call. On that third quarter call, we expressed that the bottom of the AG cycle was drawing closer and that we were seeing the early signs of a cyclical recovery. As we sit here today, while we are not completely there yet, we are seeing reasons to be more optimistic.

First, there has been an improvement in farmer sentiment. There seems to be optimism born out of the new administration as farmers expect the government to be supportive of U.S. agriculture. It goes without saying that positive sentiment among farmers regarding their future prospects could ultimately lead to their willingness to invest in farm assets. That sentiment is typically a function of a range of factors, such as crop prices, yield forecasts, and input cost levels, which all tie into the big drop. driver, farm income. Speaking of crop prices, recent corn prices have been over 15% higher than they were a year ago at this time, reaching levels over $5 per bushel. This, along with government support, bodes well for farm income.

Outside the U.S., we are encouraged by increasing activity in Brazil, an important market for Titan. This year is starting off well there and demand is expected to be up nicely in both our OE and aftermarket channels. Our team in Brazil is highly experienced and done an excellent job, not just in driving market share, but in how they've managed the cost and operational side of their business during these highly volatile times for their currency, the Real (R$). History has been that Brazil is a good leading indicator for the broader global AG market.

Moving over to Europe, I was just there recently and can confirm what the AG OEMs have been saying in terms of business being slow in that region. You know, that said, an end to the Ukraine situation could be a positive and we're certainly hoping for that. Summing things up by geography as we look around the world, we have all seen the production forecast from the major AG OEMs that have generally indicated Brazil to be their strongest improving region, while Europe and North America haven't crossed that line yet to return to growth, but with expectations for improved second half of the year, especially as they move into 26'.

Recently our conversations with customers have been taking more of a positive nature. I do not want to get ahead of myself, but I will say there has been an observable shift in tone with a number of customers asking about our ability to ramp up production in the second half of this year. Maintaining our productive capacity and expertise was an emphasis for Titan despite the reduction in demand we have worked through over the last 18 months. So we are certainly happy to tell our customers that yes, we will be ready to go when they are. As we see that demand come back, we will also be focused on expanding customer response relationships via our one-stop-shop strategy. We've talked a lot about that and it really took hold for us following last year's Carlstar acquisition. A big part of that is our aftermarket business. We have seen that be a steady performer through this down cycle. And one of our focal points of our management team in recent years has been to expand our aftermarket offering in all three of our segments. And we expect it to continue to be a steadier source of business for us in the future as well. We also continue to emphasize innovation and new products, while also working to introduce existing products such as LSWs to segments where we have not marketed them as aggressively in the past, such as mid and low horsepower tractors. My team is also focusing on the cross-selling of Titan and Carlstar's products into new segments and geographies. Looking around, there are really good opportunities for us to continue to drive sales via these initiatives.

Turning over to the consumer segment. Much like AG, our aftermarket business has held up well. It has held up better than the OEMs. Our team has done a good job integrating Carlstar and working to capture a range of synergies as their product lineup complements our legacy Titan products. This enables us to bring our customers a much wider range of products to suit their needs. Our off-road consumer products go on a wide range of equipment that owners continue to use, whether it be landscaping riding lawnmowers, a recreational ATV user, or on-road trailers used to transport equipment, all of which underpin a steadier demand for replacement tires in this segment.

On the OEM side, leading consumer product manufacturers have noted their plans to continue underproducing demand in the first half of this year. These OEMs are mindful of the health of their dealers and are working to make sure they are not saddled with excess inventory. Looking at ourselves, we have the premier product portfolio across this off-road spectrum with a strong footprint of our manufacturing and distribution locations. Therefore, we can serve our customers better in this environment and make sure that those fill-in orders are taken care of.

For us, a healthy OEM dealer ecosystem is also generally supportive of our aftermarket business. So we really view this continuing actions at the OEMs to manage inventory as a long-term positive for our business.

Moving over to the EMC segment, we believe overall construction market conditions remain fairly stable and mining activity continues to be solid. Precious metal prices are strong and have risen in response to geopolitical developments. As those prices for minerals rise, owners and operators of mining assets are incentivized to run their equipment as much as possible. That's going to generate solid demand for aftermarket undercarriage parts. We are in a good position in this segment with our innovations and product development in undercarriage, along with our strong service capabilities which make us poised for growth in this segment.

Tariffs are on everyone's mind these days, both in business and in our personal lives. You can't avoid hearing about them and the endless media barrage on that topic. At this point, the current tariffs are not a significant issue for us to navigate. It seems the early reactions to tariffs have created a renewed investment interest in U.S. manufacturing. I think we're all seeing that daily in the reports coming about investment into the U.S. During complex and volatile times, when you look at it from Titan's perspective, we have historically seen that environment as a benefit to Titan because our customers can count on us to meet their evolving needs. We have the market-leading product portfolio. We have a broad geographical footprint. We have the best technical team in the business, and we are extremely committed to serving our customers during these complex times. And so we look at this environment as a long-term catalyst for Titan being able to demonstrate to our customers our full capabilities of mitigating the risk of their supply chain.

So wrapping things up, here. Overall, I want to talk about taking a quick look at 2024. We successfully navigated a deep cyclical downturn with strong cash flow and successfully and integrated a large acquisition. That is really due to the effective actions and timely decision making of our OneTitan team, and I want to express my appreciation to them for their efforts throughout 2024. Overall, we are encouraged about what lies ahead for Titan, with good reasons to feel that way. Our investments in our one-stop strategy have us well positioned to provide more comprehensive products and services for our customers, and we are positioned to see accelerating results as demand improves in the future. New

product innovation continues to be a cornerstone of our value proposition and cements our position as the market leader in our space. With that, I will hand it over to David.

David Martin: Thank you, Paul, and good morning. And thanks to everyone listening in. Welcome to our first call of 2025. Let me first say that our results for the fourth quarter are generally in line with our expectations. And as everyone knows, this was our seasonal low quarter of the year. Revenues in the fourth quarter were $384 million with adjusted EBITDA of $9 million and free cash flow was just a little under break even. Gross margin in the quarter was almost 11%. With volumes hitting cyclical lows, our ability to sustain that level of gross margin is something we're pleased with and it also bodes well for the business as we move to a recovery phase. To give some perspective, during the most recent cyclical low in 2019, four-year gross margins were about 9% compared with adjusted gross margins for this year of 14.6%. Production during the 2024 low was nearly 20% what we saw in 2019, yet we were able to maintain gross margins roughly 500 basis points higher. So that is something our entire One Titan team is proud of.

Looking at margins by segment in the fourth quarter, AG gross margins were 9%, EMC margins were around 6%, and consumer gross margins were 18%. Consumer was our most profitable segment as higher margin aftermarket business accounted for more than 60% of sales in the segment.

SG&A expense for the fourth quarter was $51 million, or 13% of sales, compared to $32 million in the prior year, or 8%. Just to reiterate, our commentary for prior quarters in 2024, we talked about this, the increase in SG&A can entirely be attributed to the Carlstar acquisition, particularly the distribution centers that are an integral part of the operating model, which allows us to fulfill customer orders in a very timely manner.

R&D expenses were $4.4 million in the fourth quarter, compared to $3.1 million a year ago. As we note throughout our commentary, innovation and product development is critically important for Titan and in an area that we will continue to invest. Our operating loss in the fourth quarter was $17 million, reflecting the combination of reduced sales and operational expenses I just noted. Operating cash flow was about $9 million and inclusive of capex of $13 million, free cash flow was negative $4.6 million. We anticipate Q1 will also show negative free cash flow, but that's expected with the sequential improvement in sales, which will require a corresponding increase in accounts receivable. We fully expect that cash flow will turn positive as our year progresses. Net debt at Q1 was $369 million, or 2.9 times trailing 12-month adjusted EBITDA.

Entering 2024, our leverage was very modest at approximately one times, and that allowed us to accomplish a great deal in the form of the Carlstar acquisition and significant share repurchases, which we are confident will serve our shareholders well. over the long term. From a capital allocation standpoint, our primary focus in 2025 will be the pay down of debt and continued smart investments in the business. But we will spend less on CapEx in 2025.

In Q4, Titan recorded a credit-to-income tax expense of $26 million related to the pre-tax loss in the fourth quarter. That brought full-year tax expense down to around $12 million, which equates to about an effective rate of 143%. Now, this elevated tax rate is primarily due to the loss incurred domestically in 2024 due to the very low volume. And this was further exacerbated by the lack of ability to fully deduct interest expenses as dictated by U.S. tax law, as well as the impact from foreign income taxed in higher tax jurisdictions.

Paul talked about tariffs earlier, and our firm belief is that it can be good for Titan due to the strength of our global footprint and the production flexibility that we have across the business. One of our strategic assets is our ability to manufacture a lot of products that mitigate, that we sell to them and will mitigate their supply chain risk. For any products that are imported or exported, for that matter, we will manage our costs and our pricing accordingly and we do not anticipate that major impact.

Our acquisition of Carlstar brought us an exceptional plant in China that currently supplies products in the U.S., mainly our consumer segment. While we're clearly in a fluid situation, we have analyzed the current tariffs and determining the impact interactions in response to be fairly minimal. That being said, the advantage Titan has is that as tariffs ratchet up, we have plants in the U.S. that can absorb some of the production currently running at that China plant. All of this to say that we're situated well as a company with options of how best to handle tariffs as they continue to evolve.

Moving on to our financial guidance for Q1, as Paul noted, we are pleased with the sequential sales improvement that we saw and that we've seen so far in Q1. As demand begins to recover, we'll be starting from a higher margin profile than in the past. Given the significant fixed costs in our manufacturing operations, increases in our production and sales enable margin expansion, so we're certainly looking forward to our earnings and cash flow potential later in the year and into 2026.

Bringing focus back to the near term, our guidance range for the first quarter is 450 to 500 million with adjusted EBITDA of 25 to 35 million. Again, that's a sequential improvement versus Q4. Reiterating, our prior comments on cash flow, we're investing in working capital in the first quarter due to the sequential sales increase, and as the year progresses, we expect to see cash flow turn positive, allowing us to reduce debt. The bottom line is our financial condition remains solid, and we're putting ourselves in a position to accelerate our future performance. every day. Thank you for your time this morning and we would like to now turn the call back up to Carly for the Q&A session.

Question and Answer Session

Operator: Thank you very much. We'd like to begin the question and answer session. [Operator Instructions] Our first question comes from Mike Shlinski of D.A. Davidson. Your line is now open, Mike.

Mike Shlisky: Yes, hello. Good morning and thanks for taking my questions. I guess I wanted to get a little bit better feel for, David, some of your accounts that you just made on cash flow. If some of the OEMs are looking at a better 2026, do you feel like you may have to take on some more working capital here in the fourth quarter of, 2025 to prepare for it?

David Martin: Yeah, we'll certainly take a look at that. We generally do that anyway. We always have a sequential increase from Q4 to Q1. As we progress through the second half of the year I think we'll be able to get the visibility we need to manage it accordingly and not over invest but I think we can calibrate our production to meet the expectations for the for the growth that could potentially come.

Mike Shlisky: Got it thanks for that. Paul you provided quite a bit of detail on the AG outlook Can you give us a little more granular detail on on your feelings on earth living construction as well consumer. Perhaps, in the very near term in the first quarter might one segment be a bigger driver than the others and then kind of broader from a cycle perspective where those two stand.

Paul Reitz: Yeah. you know we did talk a lot about AG and you know now that we're very diversified across all the segments, earth-moving construction is an area where I would say we see the market as being stable, but driven by factors that I think are underlying a level of demand or a floor, I would say. The need for infrastructure, government investment, clearly there's residential needs. So it would be difficult for governments to turn their back on the needs of society. And so I think you look at that as the floor. But clearly in this environment, you know, you're having some inventory corrections that are taking place at the OEMs. And so you're balancing, I think, a positive floor with the negatives of the inventory correction. I think where we see good demand for us in our earth-moving construction segment is some of our capabilities that are more unique and specific to Titan in our undercarriage division. we have capabilities that I want to say nobody else has but at least nobody has it to our extent and that's the ability to produce custom aftermarket mining parts through again some unique capabilities to Titan and so we look at not just the OEMs to drive business but also just overall activity and that's why some of my comments reference the mining activity that's taking place as prices there have remained elevated and activity remains fairly strong with all the demand needed for rare earths minerals all the things that go into daily society in life and so again I think we have some capabilities at Titan that are unique so a little bit different than maybe some of the commentary you'll hear just from the OEMs in that segment again our ability to service the aftermarket with some customized parts there. When you look at consumer, again everything's bifurcated these days you look at aftermarket versus OEM from two different lenses. You know, we had a really good year in 24' with aftermarket, really impressed with how Carlstar and that team has gotten integrated and tightened and just really kept that momentum going. And so the aftermarket part of our business, in consumer has performed well. We see opportunities around the corner, with expanding our presence, both with existing customers and then new products and geographies that we can get into and so you look at the aftermarket and consumer from that lens of really performing well and being a more consistent part of our business as we've talked about in our comments. And then OEMs, it's dealing with inventory, just like we've talked about with AG and EMC. We're seeing the OEMs in the consumer segment trying to balance the sellout with their inventory, and the OEMs are gonna adjust accordingly. And I think that's a positive in the long run, but in the short run, you're gonna have to deal with, with some cyclical factors impacting OEM demand in consumer. Very similar to what we talked about with EMC and Ag. I'll stop there. I think I've said enough. Any follow-up questions, let me know.

Mike Shlisky: No, absolutely. That definitely answered my question. And maybe just turning to AG real quick, I appreciated the fact that you sound like you're a lot more positive on the back end of the year, at least for orders. And I kind of wanted to get a few things squared up. I guess, Paul, are your comments that AG might get better later on this year a commentary on your business and what you might be shipping or just simply the orders you might be receiving and hopefully to ship that in 2026? I'm kind of trying to figure out whether the first quarter could be a low point of the year for your business and we should be thinking about making things higher in the back half, but I want to get a feel on the cadence for the actual turnaround in both your business as well as the broader AG, you know, the actual farmer buying the equipment.

Paul Reitz: A little of each, but hey, Mike, did you, were you on teams, whether it be sports, you know, band, any type of competitive team as a kid.

Mike Shlisky: Absolutely, all of the above.

Paul Reitz: All right, perfect. All right. So, you know, hope is something that every team must have, you know, whether it's in, competitive team environment with sports or music, and also in business, and you can never lose hope. And hope is something that, whether you're the captain of the team or you're the leader of the business, you've got to make sure it's present, and you can force hope into the room because you've got to have it. It's mandatory. You lose hope, you lose everything. Optimism is something that comes from the team to the captain and the leader. You can't necessarily create it. It's either there or it's not, What I have seen over the last few months is optimism and it's coming from the team, It's coming from the customers they're talking to. It's coming from what they're dealing with in their daily situation the stuff they're reading and there's been a definite turn in the last 90 days so I could tell you the things I've seen with my own eyes, but I think what's more important that is what I've seen from the team. And maybe it's because we've gone through a deep cyclical downturn over the last 18 months and it's tough and we're starting to see the bright lights out in front of us But there's optimism in the room and it's coming deep within the team And I think that's where I feel that positive change is taking place, Some of that is, going back to your question, some of that is going to be in the short term with orders that we're picking up now but quite a bit of it is in the back half of the year with expectations for what they will need from us, our customers will need from us both in what they'll take this year but also in preparation for next year as you alluded to but we are definitely seeing some orders come in that impact us today but you know I think it's that optimism that we're seeing with opportunities for later this year into next year that you know again it's a real sense of optimism that is present in the room and it's not being created by leadership it's coming from them up towards us and the entire team.

Mike Shlisky: Okay I appreciate that discussion. I'll pass it along thank you

Operator: Thank you very much. Our next question comes from Steve Ferazani of Sidoti your line is not open Steve.

Steve Ferazani: Morning, Paul, David. Appreciate all the color on the call this morning. I do want to follow up on that last commentary, Paul, because it's, you know, you're hearing directly from customers. It's more challenging on our side, right, because we listened to the 4Q calls from a lot of your large AG customers. A lot of it was still focused on managing inventories, managing prices. The question is how fast that can pivot. And you ran through all the data points that support a recovery, and you can see it in the stock prices, but it's hard to connect those two. But are you, so you're actually hearing, your team is hearing from customers that maybe there's a pickup in the second half, because that didn't really translate on the conference calls that I'm sure you listened to as well.

Paul Reitz: Right. And part of the disconnect, Steve, is they're looking at inventory in the channels, and we're looking at inventory from the wheel of tire perspective, and we have had disconnect throughout the pandemic and post pandemic between what we view as inventory and what they discuss as inventory and you know we've seen wheels and tires get accelerated into their inventories ahead of their production levels and ahead of their sellout, and what we see typically in our business is that our trends are off cycle with theirs so i'm not going to say it's just a pandemic trend but it definitely got accelerated during the pandemic but we lead we lead before they do because we have to get geared up for production if you think about some of the products we produce Steve they are customized to them their piece of equipment. A wheel is a highly engineered product that has to fit on their hub and axle based upon not just each

manufacturer but also within each line that they have of a tractor a sprayer a, combine it's not just a different paint color so we need to be prepared differently than maybe a chip, a belt, a hose that can be transferred from one product to the next. We do follow different trends and our inventory has been volatile during this period. I think we got hammered from the inventory perspective harder earlier during the down cycle because they had excess wheels and tires. Some of the commentary you would have heard from the OEMs would have been different than what we were seeing in our business. I think we went down much faster than them and I think we'd go back up before they do. So I fully understand your question and following their commentary very closely, but there's, some different trends between our inventory and their inventory.

David Martin: If I could just add one thing just to put a point on it. Steve, if you look at last year, it's 2024, first half to second half, particularly in the AG sector, we're down 40%. In the first half to second half. That's a pretty significant downturn. Obviously, we have to absorb that, and that is everything to do with destocking, right? So that's a perspective that you have to take into 2025, right? Expectations are that it's not going to be, we re going to start to see recovery before, maybe the sellout into the industry will be, and Titan sees it faster.

Steve Ferazani: And speaking to that, Paul and David, if the pivot is fast, and again, you ran through a lot of the data that says it can be potentially, how well positioned are you to pick up? I know the last recovery, we're still in COVID labor was problematic for some, less for you. In terms of capex that you need in the plants, in terms of capacity to labor, how quickly are you able to position- if the pivot is faster than expected.

Paul Reitz: Well, we'll find a way to be prepared, and that's the message to the team. David and I were in Freeport last week, and again, the optimism coming from them towards David and I was what I already talked about earlier, and they also know they gotta be prepared. We were in Quincy the week before that, same discussion. They've had some drop-in orders already come. They've had to adjust, and they need to be prepared. And so, it's a message we're delivering now, but it's also a message that we delivered throughout last year to the team, is we reached a point where our headcount is down significantly, that's always difficult to do, but we reached a point where we said, let's hold off on the headcount reductions, because we're gonna be cutting into experienced labor. What we do does require skill, it requires experience, and we reached a point where we said, we do not wanna lose these people. They're too important to us in the present and also definitely for the future. And we're seeing that future here now, if not towards the back half of the years we've been talking about. And our team has to be prepared. But it's not something, again, that we're just talking about today. We've been talking about it throughout the pandemic. But now they're telling us they need to be prepared because they're seeing that sense of optimism that I've been talking about as well. So it's good. Like I said, we were in Freeport last week. We didn't have to come in there and then tell them to be prepared. They're telling us how they're going to get prepared. And we've got to stay on it. It's going to be hard. It's never easy, but it's a good problem to have.

Steve Ferazani: Absolutely. A couple of very quick modeling questions. David, a sense of what D&A will look like next year. It's obviously moved around a bit with the acquisition this year. And also, what we saw from consumer, this was your first year with Carlstar. Is this what seasonality looks like.

David Martin: Yeah, so to your D&A question, I don't have that at the top of my head. It's around $60 million a quarter, I think, or for the year, I'm sorry. Yeah, $60 million is roughly. In Q4, we had a little bit of an adjustment. We made our final purchase price adjustments that were required after the acquisition. So that's all been finalized, and that's about where we're going to be. To your question about seasonality in Carlstar or the consumer division, similar to the situation with all the rest of the segments, if you will, Q4 being the seasonal low, it was a little bit more exacerbated in terms of, again, the stocking that took place with OEMs. But I would think that as we head towards 2025, I think that's about right in terms of, I think, the seasonality. It's not as dramatic normally as what we see in agronomy so. But Q4 is definitely a seasonal low because you know the mowing season and things like that, so, I think I think it's pretty similar not not enough to make a meaningful change in your modeling.

Operator: Thank you very much. [Operator Instructions] Our next question comes from Tom Kerr of Zacks Small Capital Research. Tom your line is now open.

Tom Kerr: Good morning guys. Quick follow-up on the tariff issue. I think half your manufacturing is overseas roughly, Can that change relatively quickly based on the circumstances of a tariff? And then related to that, does it follow what the OEMs do? If they're doing a lot of onshoring, do you have to follow that? Hope that makes sense.

Paul Reitz: Yeah, it does. Yes, we are prepared and capable of moving production to different locations. Like you just stated, we do have half our manufacturing positioned around the world, in good locations for our geographical footprints to serve our customers. As our customers move production, I would say the preference would then lean towards being closer to where they are producing the equipment. That helps mitigate risk and has longer tail, obviously, on the logistical side. Clearly, that could be their decision on what they prefer. But I would imagine as production shifts, our production would change locations as well. But I do believe that one of our biggest strengths is our geographical footprint. We have plants. They're positioned very well for our customer base and can meet. their needs as their needs do change.

Tom Kerr: All right, thanks, a couple more quick ones. On the Brazil strength, can you provide more color on what the strength is there? Is it general economics, is it government policy, and then related to that, why are they the bellwether for the rest of the AG world.

Paul Reitz: Well, I mean, Brazil is, AG is a big part of their economy, and they clearly are a less diversified economy than what we're used to here in the U.S., but AG is a big part of their economy, heavily supported when needed by government incentives. I mean, what we're seeing there is just a general tone of optimism towards both aftermarket and OEs that they're turning the corner. They've had some administration changes there that are supportive of AG. Also, it's been a long downturn when you look at it in Brazil. It's kind of run its cycle, and I think part of it is you're seeing the cyclical upturn compared to what we've seen in Europe, as I mentioned. But no, I think Brazil, they're feeling the, they're turning the corner. Good support from the government, good demand coming in, and their grains have been in strong demand as well. I mean, they've been exporting a lot of beans around the world, and so there's a tremendous amount of demand for their crops, obviously it starts there. But their demand has been strong throughout kind of the 23', 24' cycle, as their exports have increased, and we've seen some of the exports from the U.S. decrease. So the tone we're getting over the last, call it kind of 60 - 90 days from Brazil is an uptick in the sentiment as we go into 25'.

Tom Kerr: Great, thanks for that. Last one, are you able to talk about military opportunities and more details in light of sort of the federal budget cuts we're seeing. You know, the defense industry may be downsized and so on. Do you guys have orders for that military opportunity or contracts, or could that be affected by budget cuts, I guess?

Paul Reitz: Well, the way I've been characterizing our military opportunities is when you have very little, the opportunities are bigger in contrast to having not much. And, you know, the way our military has been making decisions in recent years hasn't really been supportive of U.S. manufacturing. And so what we've been doing with the administration change, and we started this kind of back in the middle of last year, is really pulling in some expertise from the outside who can help guide us on how to get back into the military. And that's what we've been working on. So we're not impacted like a true military supplier by budget cuts. We're looking at it as with the the administration change and really their budget cuts are favorable from our standpoint. Maybe some of the bad decisions they've been making in the past can put us on the radar as a good decision to make in the future. So we just look at it as an opportunity to go from close to nothing to something positive, and we're working hard to do that. And I think both budget cuts and administrative changes are the reason why we're being more aggressive in pursuing these opportunities.

Tom Kerr: Great. That's all I have for today. Thank you. .

Operator: Thank you very much. Our next question comes from Kirk Ludtke of Imperial Capital LLC. Kirk, your line is not open.

Kirk Ludtke: Good. Paul, David, Alan, thank you. Thank you for the call.

David Martin: Good morning.

Kirk Ludtke: A follow-up on the new business, it looks like maybe you're looking to move into some lower price points. I think mentioned in the press release, sourcing product from third parties. Can you talk a little bit about that initiative.

Paul Reitz: The initiative is really taking care of our customers. And post the Carlstar acquisition, our capabilities to service our customers have only increased. And we talk about the one-stop shop approach, and there's a lot of things that go into that. That includes third-party sourcing. So what our team has really been focused on over the last year, it's not something that's just starting now, is how do we get the right products to take care of our customers' needs. And that does include some manufacturing that's outside Titan's manufacturing facilities.

What we bring to the equation when we do that is having the world-class distribution channels that we have, the brands that are under the Titan umbrella, the technical expertise and service that we can bring to the equation. That's where we stand out in our industry and so we look for third-party partners that can produce products that our customers need and then we can we can layer in what I just mentioned it becomes a win-win for all parties involved. And we see that as a bigger part of our business and you know it was part of Titans legacy business but post Carlstar with some of the expertise that we brought on and the resources from that acquisition. We see this as a growing part of our business and it's really putting all that together and taking care of our customers in the best possible way.

Kirk Ludtke: Thank you that's helpful and a follow-up on the tariff you mentioned that you thought it would be a positive and you produce you know I would I would guess, most of what you sell in the U.S., in the U.S., is that a fair characterization.

Paul Reitz: Most is fair, yeah.

Kirk Ludtke: Okay.

Paul Reitz: Yeah, from the tariff standpoint, yeah. Go ahead, go ahead, finish your question.

Kirk Ludtke: No, I'm just, I'm trying to get a sense for if tariffs were imposed on steel products, and or tires, incremental tariffs on steel products and or tires, how much of the market in the U.S. market comes from offshore and, you know, generally are those tires and steel products, steel wheels coming from China or where are they coming from? So we can just, so we can react to any headlines we see. We understand what that means for you.

Paul Reitz: Yeah, I mean, and it does vary by product segment. So there's not a blanket answer, but I will tell you kind of our perspective. In the short term, what we have done is we've analyzed the tariffs. Just as you're doing, we've analyzed them specifically to our business, and we do that in a heavy analytical way, looking at the dollars and the cents and the impact. And so the comments we've made when we say there is minimal impact are based upon the analysis of where we are today. So again, that's very analytical when we make that comment about minimal impact. When we talk about the longer term, that's when we're referencing our ability to service our customers, and both David and I mentioned, mitigate the risk of their supply chains. With that strong geographical footprint and our ability to manufacture source products from all around the world, we can take care of our customers' needs better than our competition in our industry. And so longer term, when things are volatile and complex,Titan is good at solving the needs of the customer. And so that's where we look at it long term. Short term, you mentioned steel. My opinion is if you're just tariffing raw steel, you're missing the bigger picture of, other forms of steel that come into the marketplace. Obviously finished goods is what I'm referencing, or even whip for that matter. We see less of that directly competing in some of our... Large wheels are made in the US. Large AG wheels are not imported from overseas as much. So again, it kind of depends by the segment with answering that, but I look at the tariffs as I want a country that makes stuff versus consumes stuff for maybe not my perspective all the time, but looking at it from my kid's vantage point. And so I think what we're seeing with tariffs is driving more of an emphasis towards we need to be making stuff more here. In the long run, than just looking around and consuming everything we possibly can and relying on just a strong dollar to drive that consumption. And so I think it's a positive for the long run, for our kids, that we can make stuff. And it's good because our plants are located. We have a great manufacturing footprint in the U.S. So I think that is good for us in the long run. But in the short term, we view it as we've got to be nimble. We've got to be flexible, as David and I both mentioned. And in the short run, we don't see there being an impact that we're seeing right now. And I think, again, let's not overlook one more comment. People look at tariffs as they're either cut and dry, they're either right or wrong. And I don't think that's a correct way to look at it. It's somewhere it's going to depend. But this administration is committed to growth. The administration is not doing tariffs to cause harm to growth. So you've got to have trust and faith in the administration over the years and over their term. They're going to figure out how to. to grow with these tariffs, not destroy something. And so let's not get caught up in the micro every single day. I think we gotta have some faith in the administration that they're committed to

growth, that's what they stated. So again, a long-winded answer to your question, something that we're thinking about just like everybody else is, but it's a combination of a number of different factors. But I will say in the short run, we've analyzed it very closely and we see minimal impact. And in the long run, we think we can service our customers in a very healthy way as tariffs come and go.

Kirk Ludtke: That's fantastic, I appreciate it. That's all for me, thank you.

Paul Reitz: You bet, thanks.

Operator: Thank you very much. [Operator Instructions] Our next question comes from Brian DiRubbio at Baird. Brian, your line is now open.

Brian DiRubbio: Good morning, gentlemen. Just a couple of questions for me. Maybe start with you, Paul. Can you help us, excuse me, size up the aftermarket opportunity, maybe help us give a sense of what the aftermarket versus OE is today.

Paul Reitz: Yeah, I mean, when you look at it over the long run, we have really significantly increased our aftermarket presence, something that we've done with the acquisition, but we've also done with a lot of internal initiatives through the years. And so probably 10 years ago, we were around 25% aftermarket and today we're 45%. And so with that 45% coming from aftermarket, we do see a business that is steadier, more consistent than what you see with some of the cycles with OEMs. And so, as we sit here today, we're about 45% aftermarket.

Brian DiRubbio: And what's the goal, to get that north of 50 over a cycle.

Paul Reitz: That's a good question. I don't know if we've set- target like that. Clearly we look at it as an area for growth and we're continuing to pursue avenues to expand it. I've mentioned with undercarriage we have a good aftermarket opportunity in mining with undercarriage that's unique to our company. We've done a lot in the tire space to grow our aftermarket. The one that doesn't have a lot of aftermarket is a wheel. That business has been and likely will remain.primarily OEM driven but in the tire business our innovations have helped drive aftermarket, our branding, our distribution, it's kind of all of the above and so would I like to see us get above 50? I think I think you just set a good target for our company. I may have to take what you said and make that our new target.

Brian DiRubbio: There you go. Switching gears, David, the liquidity in the U.S. looks a little tight right now. Any thoughts on being able to move cash around if you can create some for the U.S..

David Martin: Certainly. We've done some of that already in the first part of 2025, and the expectation is that we will always protect our liquidity in the U.S. and move things as we need to. We always look at tax leakage and don't want to just bring it back and lose all of it because of taxes, but there are some opportunities, and we'll continue to do that as we progress through 2025. But, again, I just want to state that we've already done some of that movement in Q1.

Brian DiRubbio: Got it. Okay, so that's not going to be a worry then if you need to build inventory ahead of a ramp.

David Martin: No. Yeah, We can flex accordingly.

Brian DiRubbio: Got it. That helps. And I guess just a final question. As we think about the ramp and its impact on profitability, what has been the operating rates of your U.S. facility? And I guess where I'm getting at, has there been sort of, you know, current period charges that were charged directly against the P&L versus capitalized inventory that will go away or just be recapitalized inventory as production volumes pick up.

David Martin: I wouldn't say there was anything significant that would create volatility in the, call it the P&L or anything like that, in terms of capitalization, you know, cap variances and things like that. But, yeah, the utilization rates are obviously low, particularly in Q4, it's at their lowest. And we watched that in terms of how, you know, the cost of products that we produce and then sell with the lag and everything. So it's, but as I look at it analytically, I don't expect to see tremendous volatility.

Brian DiRubbio: Perfect. Appreciate all the color. Thank you so much.

Operator: Thank you very much. We currently have no further questions, so. I would like to hand back to Paul Reitz for any closing remarks.

Paul Reitz: I want to thank everybody for their participation on our Q4 earnings call today. And obviously, we're going to roll in pretty quickly with Q1 results here soon. So, look forward to talking to you then. Thank you.

Operator: As we conclude today's call, we'd like to thank everyone for joining. You may now disconnect your lines.